

# INTERPROVINCIAL PIPE LINE LIMITED

Box 96, 150 KING STREET WEST, TORONTO, ONTARIO M5H 1J9

R. K. HEULE  
Chairman

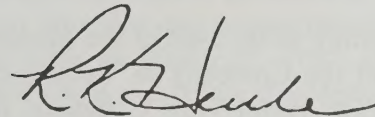
March 9, 1987

TO THE SHAREHOLDERS:

The Thirty-Eighth Annual Meeting of Shareholders of the Company will be held in the Ballroom of the Royal York Hotel in Toronto on Thursday, April 9, 1987 at 2:30 p.m.

I hope you will be able to attend in person; however, if you cannot attend, would you please complete and return the enclosed proxy which will assure you of representation at the Meeting.

Yours sincerely,

A handwritten signature in dark ink, appearing to read 'R. K. Heule', is written over a faint, circular embossed seal. The signature is fluid and cursive.

# INTERPROVINCIAL PIPE LINE LIMITED

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## NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

**NOTICE IS HEREBY GIVEN** that the Annual Meeting of Shareholders of Interprovincial Pipe Line Limited will be held in the Ballroom, Royal York Hotel, 100 Front Street West, Toronto, Ontario on Thursday the 9th day of April, 1987, at 2:30 p.m., Toronto time, for the purpose of:

- (a) Receiving the Directors' Report to Shareholders, the Consolidated Financial Statements and the Report of the Auditors, for the fiscal year ended December 31, 1986;
- (b) electing directors;
- (c) appointing auditors; and
- (d) transacting such other business as may properly be brought before the Meeting.

A proxy to be used at the Meeting must be deposited at the office of the Corporate Secretary of the Company in Toronto or the Toronto Office of the Transfer Agent of the Company (The Royal Trust Company, Royal Trust Tower, Toronto-Dominion Centre) at or before the close of business on April 8, 1987.

DATED at Toronto, Ontario this 9th day of March, 1987.

By Order of the Board,

J. N. ST. JOHN  
*Corporate Secretary*



## MANAGEMENT PROXY CIRCULAR

### SOLICITATION OF PROXIES

This Management Proxy Circular is furnished in connection with the solicitation of proxies by the Management of Interprovincial Pipe Line Limited (the "Company") to be used at the Annual Meeting of Shareholders of the Company (the "Meeting") which will be held at the time and place and for the purposes set forth in the attached Notice of Meeting. The solicitation of proxies will be by mail, with possible supplemental telephone or other personal solicitation by regular employees of the Company. The cost of solicitation will be borne by the Company.

### APPOINTMENT OF PROXY AND DISCRETIONARY AUTHORITY

The enclosed form of proxy confers discretionary authority upon the persons designated therein with respect to amendments to matters identified in the Notice of Meeting, and with respect to other matters which may properly come before the Meeting. As at the date of this Management Proxy Circular, Management is not aware that any such amendments or other matters are to be presented for action at the Meeting.

### REVOCABILITY OF PROXY

A shareholder who has given a proxy may revoke it, by instrument in writing executed by the shareholder or by his or her attorney authorized in writing, and deposited either at the Toronto office of the Company at any time up to and including the last business day preceding the day of the Meeting, or an adjournment thereof, or with the Chairman of the Meeting on the day of the Meeting, or on the day of an adjournment thereof, or in any other manner permitted by law.

### VOTING SHARES AND PRINCIPAL HOLDERS THEREOF

As of March 6, 1987, the Company had issued and outstanding 39,546,950 common shares. The Board of Directors has fixed Friday, March 13, 1987, as the record date for determining shareholders entitled to notice of the Meeting. The persons entitled to vote at the Meeting are all shareholders of record at the close of business on March 13, 1987 (except for any shareholder selling his shares after that date whose transferee makes a request to the Corporate Secretary of the Company by the close of business on March 27, 1987, to be included on the list of shareholders entitled to vote at the Meeting). On all matters to come before the Meeting, each shareholder is entitled to one vote for each common share standing in his name on the securities register of the Company.

The following table sets forth as of March 6, 1987, certain information with respect to the share ownership of all persons known to the Company to be beneficial owners of more than 5% of the Company's outstanding common shares and as to all directors and officers of the Company as a group.

	Amount and Nature of Beneficial Ownership <sup>(1)</sup>	Percent of Class
Gulf Canada Corporation ("Gulf") Suite 600 1 First Canadian Place Toronto, Ontario M5X 1A9	16,150,000 shares	40.9%
Imperial Oil Limited ("Imperial") 111 St. Clair Avenue West Toronto, Ontario M5W 1K3	8,597,000 shares	21.7%
All Directors and Officers as a group (20 persons)	36,097 shares <sup>(2)</sup>	Less than 1%

(1) Each holder has indicated it has sole voting and investment power for the beneficially owned shares except for 461 shares held and for the accounts of 3 officers by the Trustees of the Company's Employees' Savings Plan, which shares are voted in the discretion of the Trustees. The Shareholders' Agreement between Gulf and Imperial referred to below provides that the Gulf and Imperial shares are deposited with The Royal Trust Company, (P.O. Box 7500, Station "A", Toronto, Ontario, M5W 1P9) to be voted for the election of directors as provided in that Agreement and otherwise as Gulf and Imperial may each direct with respect to the shares deposited by them.

(2) Includes 20,675 authorized but unissued shares subject to currently exercisable options.

### ELECTION OF DIRECTORS

The Articles of the Company provide that the Board of Directors shall consist of 15 members. The Company does not have a Nominating Committee as the Shareholders' Agreement between Gulf and Imperial provides that the 15 directors shall consist of 7 persons (who shall be independent of each of Gulf and Imperial) nominated by the Independent Directors Selection Committee, 5 persons nominated by Gulf and 3 by Imperial.



Gulf and Imperial have agreed in the Shareholders' Agreement to vote the shares held by them (aggregating 62.6% of the outstanding shares) for the election of the directors so nominated. The Independent Directors Selection Committee consists of three individuals, one appointed by Gulf, one by Imperial and one by the first two appointees. Each member serves a three year term and is a person who is required to be independent of each of Gulf and Imperial.

The Independent Directors Selection Committee has nominated for election as directors D. G. Campbell, W. A. Dimma, F. W. Fitzpatrick, R. F. Haskayne, R. K. Heule, H. G. MacNeill, and E. H. Orser. Gulf has nominated for election as directors G. S. Bennett, M. Bregazzi, M. A. Cohen, S. K. McWalter, and G. I. Newman. Imperial has nominated for election as directors R. B. Peterson, G. H. Thomson and W. J. Young.

Each director elected will hold office until the close of the next Annual Meeting of Shareholders or until his successor is duly elected unless his office is earlier vacated.

**Unless otherwise specified in the proxy, that the shares represented by the proxy shall be withheld from voting for the election of one or more directors, it is the intention of the persons designated in the enclosed form of proxy to vote for the election of the nominees listed above.**

If between the date of this Management Proxy Circular and the date of the Meeting any nominee so proposed becomes unable or unwilling to serve as a director, the persons designated in the form of proxy will exercise their discretionary authority to vote for another nominee.

The following are the names of the persons proposed to be nominated for election as directors, their ages, other positions and offices with the Company presently held by them, their present principal occupations and their principal occupations during the five preceding years, the year in which each was elected a director and the approximate number of common shares of the Company beneficially owned, or over which control or direction is exercised, by each of them as of February 18, 1987.

Name, Age and Principal Occupation or Employment <sup>(1)</sup>	Elected a Director	Common Shares <sup>(2)</sup>
Gilbert S. Bennett, 48, Senior Vice President, Gulf Canada Corporation (natural resources) prior thereto, consultant to Denison Mines Limited 1986, President of Canadair Ltd. (aircraft production) 1983 – 1985, and President of Comstock International Ltd. (construction) 1979 – 1983.	—	50
Michael Bregazzi, 49, Vice-President, Development, Gulf Canada Corporation.	1984	50
Donald G. Campbell, 61, Chairman of the Board, Maclean Hunter Limited (communications).	1984	5,000
Marshall A. Cohen, 51, President, Olympia & York Enterprises Limited (investment holding) since 1985 and prior thereto Deputy Minister of Finance, Government of Canada 1982 – 1985, and Deputy Minister of Energy, Government of Canada 1980 – 1982.	June 6, 1986	100
William A. Dimma, 58, Deputy Chairman, Royal LePage Limited (real estate) since 1986 and prior thereto, President, Royal LePage Limited (real estate) 1984 – 1986 and President, A. E. LePage Limited (real estate) 1979 – 1984.	1984	100



Name, Age and Principal Occupation or Employment <sup>(1)</sup>	Elected a Director	Common Shares <sup>(2)</sup>
F. William Fitzpatrick, 54, Chairman, President and Chief Executive Officer, Bralorne Resources Limited (oil and natural gas and services to the energy industry).	1984	600
Richard F. Haskayne, 51, President and Chief Executive Officer of the Company and prior thereto Executive Vice-President, Hiram Walker Resources Ltd. 1982-1986, and President and Chief Executive Officer of Home Oil Company Limited since 1982.	1983	2,000
Robert K. Heule, 61, Chairman of the Company.	1975	18,704 <sup>(3)</sup>
H. Gordon MacNeill, 61, President and Chief Executive Officer, Jannock Limited (management company).	1984	200
S. Keith McWalter, 61, President and Chief Executive Officer, Gulf Canada Resources (oil and natural gas exploration and production).	Oct. 22, 1986	100
Gilbert I. Newman, 65, Executive Vice-President Olympia & York Developments Limited, (real estate and investment holding).	Oct. 22, 1986	100
Earl H. Orser, 58, President and Chief Executive Officer, London Life Insurance Company.	1984	1,000
Robert B. Peterson, 49, Executive Vice-President and Chief Operating Officer, Imperial Oil Limited (integrated oil company) since 1985 and prior thereto President and Chief Executive Officer, Esso Resources Canada Limited.	1983	100
Gordon H. Thomson, 45, President, Esso Petroleum Canada (division of Imperial Oil Limited).	1982	50
William J. Young, 59, Executive Vice-President and Chief Financial Officer, Imperial Oil Limited since 1985 and prior thereto Senior Vice-President, Imperial Oil Limited.	1983	1,000

(1) Except as otherwise indicated by a specific date in 1986, each of the persons named, with the exception of Mr. Bennett, was elected a director of the Company by a vote of shareholders at the Annual Meeting of the Company held on April 9, 1986. Further, except as otherwise indicated, there has been no change in principal occupation or employment during the past five years.

(2) Each director has advised that he has sole voting and investment power as to shares beneficially owned. Information as to shares beneficially owned, or over which control or direction is exercised, not being within the knowledge of the Company, has been furnished by the respective persons individually. No director beneficially owns 1% or more of the outstanding common shares of the Company.

(3) Includes 14,000 authorized but unissued shares subject to currently exercisable options.

None of the directors listed above holds directorships in any other company with a class of securities registered pursuant to Section 12 of the United States Securities Exchange Act of 1934 or which is subject to the requirements of Section 15(d) of such Act or which is registered as an investment company under the United States Investment Company Act of 1940, except as follows:



Name of Director	Name of Companies in which such Directorship is held
M. A. Cohen	Gulf Canada Corporation HWR Holdings Inc.
F. W. Fitzpatrick	Bralorne Resources Limited
R. F. Haskayne	Scurry-Rainbow Oil Limited
R. K. Heule	Scurry-Rainbow Oil Limited
H. G. MacNeill	Empire Company Limited
S. K. McWalter	Gulf Canada Corporation
G. I. Newman	Gulf Canada Corporation HWR Holdings Inc. Landmark Land Company, Inc.
R. B. Peterson	Imperial Oil Limited
G. H. Thomson	Imperial Oil Limited
W. J. Young	Imperial Oil Limited

## BOARD AND COMMITTEES

The Audit Committee held four meetings during 1986. The Chairman is E. H. Orser and other members are W. A. Dimma and F. W. Fitzpatrick. The principal function of the Audit Committee is to review the Company's annual financial statements and recommend their approval or otherwise to the Board.

The Finance and Investment Committee held five meetings during 1986. The Chairman is H. G. MacNeill and other members are W. A. Dimma, R. K. Heule, G. I. Newman, and G. H. Thomson. The principal function of the Finance and Investment Committee is to establish objectives and policies for the Company's investment program and to review and make recommendations on other matters relating to the financial position and requirements of the Company.

The Compensation Committee held five meetings during 1986. The Chairman is D. G. Campbell and other members are S. K. McWalter and W. J. Young. The principal functions of the Compensation Committee are to review the Company's compensation policies and management succession plans and make recommendations concerning the same to the Board.

There were ten meetings of the Board during 1986. All members of the Board, with the exception of A. E. Downing and P. A. Nadeau attended at least 75 percent of the total of all meetings of the Board and all Committees of which they were members during the year.

## APPOINTMENT OF AUDITORS

Price Waterhouse have been auditors of the Company since 1949. Unless otherwise specified in a proxy that the common shares represented by the proxy shall be withheld from voting for, or voted against, the appointment of auditors, the persons designated in the enclosed form of proxy intend to vote the proxy for re-appointment of Price Waterhouse as auditors of the Company to hold office until the close of the next Annual Meeting of Shareholders. Representatives of Price Waterhouse are expected to be present at the Meeting, will have the opportunity to make a statement if they desire to do so and are expected to be available to respond to appropriate questions.

## REMUNERATION OF MANAGEMENT

	Directors' Fees	Salaries	Bonuses	Totals
<b>REMUNERATION OF DIRECTORS AS DIRECTORS <sup>(1)</sup></b>				
Number of Directors: 17	\$199,667	—	—	\$ 199,667
Body Corporate incurring expense: <i>Interprovincial Pipe Line Limited</i>				
<b>REMUNERATION OF OFFICERS AS OFFICERS <sup>(2)</sup></b>				
Number of Officers: 10	—	\$1,412,000	\$211,840	\$1,623,840
Body Corporate incurring the expense: <i>Interprovincial Pipe Line Limited</i>				
<b>TOTALS</b>	<b>\$199,667</b>	<b>\$1,412,000</b>	<b>\$211,840</b>	<b>\$1,823,507</b>

(1) Directors' fees are paid only to directors who are not officers. Each such director is paid an annual fee of \$8,000 for service as a director, plus fees of \$500 for each directors' and committee meeting attended. Committee Chairmen receive an additional annual fee of \$1,000.

(2) Compensation, other than as indicated in the above table or under Option And Other Remuneration Plans below paid or distributed with respect to all officers as a group during 1986 was less than the lesser of \$25,000 times the number of persons in the group and 10% of the total remuneration reported for such officers. All such officers are considered executive officers.

(3) In December 1986, following the Company's acquisition of Home, Mr. Haskayne's employment agreement with Home, which provided for certain payments and other benefits in the event of a change in control of Home, was cancelled and in such connection, Home paid \$330,000 to him in January, 1987 and credited him with an additional five years of service under certain of Home's benefit plans.



The following table sets forth the compensation paid or distributed to the Company's five highest paid officers for services rendered to the Company and its subsidiaries during 1986.

Name	Capacities in which served	Cash Compensation <sup>(1)</sup>
R. K. Heule . . . . .	Chairman & Chief Executive Officer . . . . .	\$282,000
G. E. Courtnage . . . . .	President & Chief Operating Officer . . . . .	\$252,000
G. A. Cole . . . . .	Vice-President & General Manager . . . . .	\$199,400
D. R. Martin . . . . .	Vice-President – Resources . . . . .	\$183,600
E. G. Sheasby . . . . .	Vice-President & General Counsel . . . . .	\$174,640

(1) Consists of salaries, and bonus payments of \$47,000, \$42,000, \$30,400, \$30,600, and \$26,640 under the Incentive Compensation Plan for Messrs. Heule, Courtnage, Cole, Martin, and Sheasby, respectively. Mr. Courtnage terminated his employment with the Company effective December 31, 1986, and in respect of his termination, received a payment of \$494,660 from the Company.

## OPTION AND OTHER REMUNERATION PLANS

### Stock Option Plans

Options to purchase common shares of the Company are outstanding under the Company's Incentive Stock Option Plan (1969) (the "1969 Plan"). The 1969 Plan authorized the Board of Directors to grant options, with terms of up to ten years, to key employees of the Company and its subsidiaries. As at March 6, 1987, options to acquire 6,000 unissued common shares were outstanding and held by 2 employees. As provided in the 1969 Plan, the exercise price for each option is not less than 90% of the fair market value on the date of grant. No additional shares are available for granting under the 1969 Plan.

An Incentive Stock Option Plan (1984) (the "1984 Plan") was adopted in 1984 which authorizes options with respect to a maximum of 400,000 common shares. The Board's Compensation Committee is authorized, subject to Board approval, to designate key employees of the Company and its subsidiaries to whom options or other rights under the Plan may be granted. The options may have terms of up to ten years and become exercisable only after one year following the date of grant and in such installments as the Committee determines. Options may have exercise prices not less than 90% of the fair market value on the date of grant payable, at the Committee's discretion, in cash, the Company's securities or a combination of both. The options may include incentive stock options under Section 22A of the U.S. Internal Revenue Code in which case the exercise price will not be less than 100% of fair market value on the date of grant. The 1984 Plan also authorizes the grant of stock appreciation rights permitting the surrender of exercisable options in exchange for a payment equal to the excess of the fair market value of the shares covered by the surrendered option over the exercise price (not to exceed 100% of such exercise price), payable in the form of shares of the Company, cash or a combination of both. In addition, the 1984 Plan authorizes the grant of dividend equivalent rights, having a maximum life of five years, under which the Company credits to the option holder's account, on each dividend payment date, an amount equal to the dividend that would be payable on a number of shares equal to the number of rights held (not exceeding the number of shares subject to the related option), to be paid to the option holder when the option or related stock appreciation right is exercised, or is exercisable and expires (subject to a maximum payment of 50% of the option exercise price). The 1984 Plan contains provisions for payments in liquidation of options and stock appreciation rights, whether or not then exercisable, in certain cases of mergers or reorganizations of the Company.

With respect to the 1984 Plan, options to purchase 64,100 unissued common shares were granted on June 5, 1986 to 38 employees of the Company and its subsidiaries. These options, not exercisable until after June 5, 1987 were granted at \$44.13 per share, which was 100% of the fair market value of a share of the Company on June 4, 1986, and were all outstanding as at March 6, 1987. Each option carried with it a dividend equivalent right and certain employees received options carrying with them stock appreciation rights. The officers named in the above table were granted options on the following number of shares: Mr. Heule, 6,000; Mr. Courtnage, 5,000; Mr. Cole, 3,500; Mr. Martin, 3,500; Mr. Sheasby, 3,500 and all officers as a group 31,000 shares. Each of these options carried with it stock appreciation rights as well as a number of dividend equivalent rights equal to the shares covered by the option. On December 10, 1986, an option to purchase 20,000 unissued common shares was granted to Mr. R. F. Haskayne. The option is not exercisable until after December 10, 1988 and was granted at \$38.75 per share which was 100% of the fair market value of a share of the Company on December 9, 1986. The option carried with it stock appreciation rights equal to the shares covered by the option but no dividend equivalent rights. During 1986, with respect to the 1984 Plan, the aggregate amount of (i) net value realized (market value of the share purchased less the option price) upon exercise of options and stock appreciation rights and (ii) cash paid upon realization of dividend equivalent rights by all officers as a group was \$68,275. Particulars of the exercise of options are as follows:

Quarter in 1986	Number of Shares	Purchase Price per Share	Price Range of Shares on The Toronto Stock Exchange	
			High	Low
Jan.-March	400	\$27.00	\$43.00	\$37.13
	600	\$27.00		

As at March 6, 1987, options to acquire 167,400 unissued common shares were outstanding and held by 39 employees.



### **Incentive Compensation Plan**

An Incentive Compensation Plan (the "Incentive Plan") was adopted in 1985. The Compensation Committee is authorized, subject to board approval, to approve bonus payments to senior executives based on the attainment of pre-set individual annual performance objectives. Bonuses under the Incentive Plan for 1986 are reflected in the bonus amounts shown in the foregoing remuneration tables.

### **Pension Plan**

The Company has a trustee non-contributory pension plan (the "Pension Plan") covering all full time employees. Each retiring participant receives an annuity, payable monthly, equal to 1.6% of the average of the participant's highest annual basic compensation during three consecutive years out of the last ten consecutive years of credited service, multiplied by the number of years of credited service. The retirement benefit under the Pension Plan is subject to a maximum pension of \$60,000 per year but, to the extent this limitation applies in any case, the Company presently intends to pay a supplemental retirement allowance sufficient to provide the portion of the annuity to which the participant would be entitled absent the limitation. The estimated aggregate cost to the Company in 1986 of all pension benefits proposed to be paid by the Company to directors and officers under the Pension Plan in the event of retirement at normal retirement age was \$104,830. The estimated annual benefits (including both Pension Plan and supplemental retirement allowance payments) payable upon retirement at normal retirement age (65) for each of the officers named in the table on page 7, except Mr. Courtnage, are as follows: Mr. Heule, \$161,056; Mr. Cole, \$101,427; Mr. Martin, \$68,298; and Mr. Sheasby, \$55,762.

### **Employees' Savings Plan**

Under the Company's Employees' Savings Plan (the "Savings Plan"), each employee eligible under the Pension Plan may participate by authorizing payroll deductions in maximums ranging from 1% (where credited service is less than two years) to 5% (where it is five years or more) of current earnings. Concurrently, with each such participant contribution, the Company is required to contribute out of profits a matching amount, which is vested when contributed. The participant and Company contributions are paid to trustees to be held for the accounts of the participants, subject to the participants' instructions for investment. The amounts in the participants' accounts are to be distributed upon termination of service subject to certain provisions regarding limited prior withdrawals. The contributions by the Company in 1986 under the Savings Plan for the account of each officer named in the table on page 7 were as follows: Mr. Heule, \$11,750; Mr. Courtnage, \$10,500; Mr. Cole, \$8,450; Mr. Martin, \$7,650; and Mr. Sheasby, \$7,400; and for all officers as a group, \$68,785.

### **DIRECTORS' AND OFFICERS' INSURANCE**

The Company maintains insurance for the benefit of the Company and its directors and officers as a group, in respect of the performance by them of the duties of their office. The amount of insurance purchased is \$15,000,000 U.S. with a \$1,000 deductible in respect of each claim. The premium paid for the 12 month period ended December 31, 1986 was \$173,000. The premium is paid without distinction as to directors as a group or officers as a group and the total cost of the insurance is paid by the Company.

### **INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS**

On December 5, 1986, the Company completed the purchase of all of the outstanding shares of Home Oil Company Limited from a subsidiary of Gulf Canada Corporation. The Company's cost of approximately \$900 million was satisfied by the exchange of the Company's holdings of Hiram Walker Resources Ltd. at book value, the issuance of oil indexed debentures and a cash payment. The purchase included an 88% interest in Scurry-Rainbow Oil Limited and interests of 60% and 26% in Home Energy Company Ltd. (Australia) and Sovereign Oil and Gas PLC (U.K.).

### **FINANCIAL STATEMENTS**

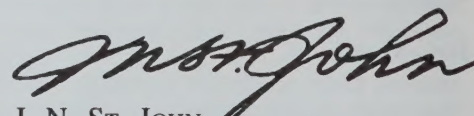
The directors will place before the Meeting the Directors' Report to Shareholders and the Consolidated Financial Statements and Auditors' Report for the fiscal year ended December 31, 1986. The 1986 Annual Report to Shareholders which contains Consolidated Financial Statements and the Auditors' Report accompanies this Circular and additional copies are available at the office of the Corporate Secretary of the Company or the Toronto office of the Transfer Agent of the Company.

### **1988 ANNUAL MEETING OF SHAREHOLDERS**

The Canada Business Corporations Act, which governs the Company, provides that shareholder proposals must be received by January 14, 1988 to be considered for inclusion in the Management Proxy Circular and form of proxy for the 1988 Annual Meeting of Shareholders, which is expected to be held on April 13, 1988.

DATED at Toronto, Ontario as of the 6th day of March, 1987.

The contents and sending of this Management Proxy Circular have been approved by the directors of the Company.

  
J. N. ST. JOHN  
Corporate Secretary